

OWOSSO PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Owosso Public Schools
Owosso, Michigan

October 15, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Owosso Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Owosso Public Schools
Owosso, Michigan

October 15, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2007, on our consideration of Owosso Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Owosso Public Schools' basic financial statements. The additional information on pages 26 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

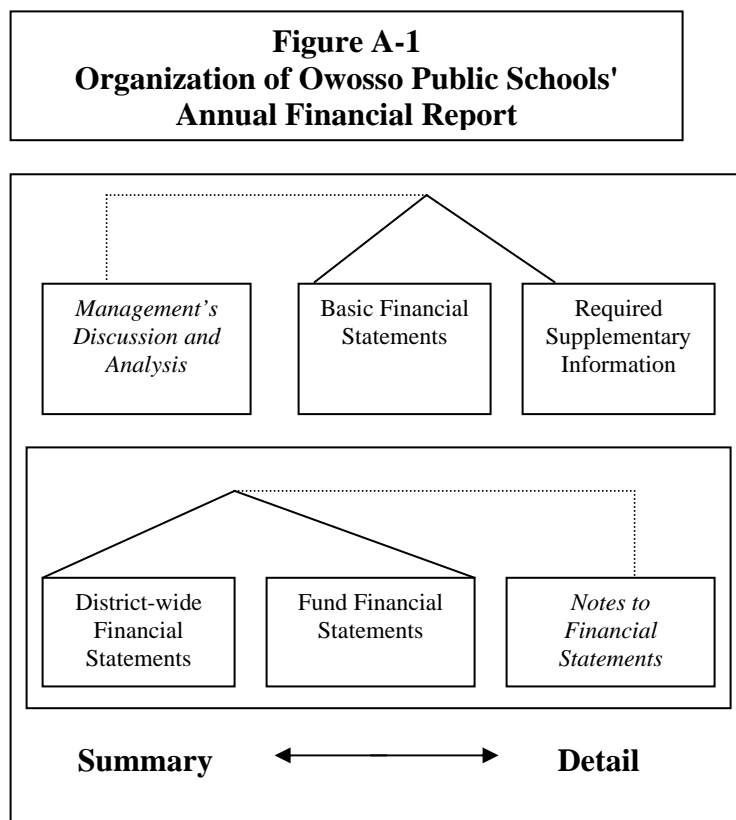
OWOSSO PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Owosso Public Schools' (OPS) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FORMAT OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using the accrual accounting method similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets from all funds including the general, capital projects and other nonmajor governmental funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position* as of a point in time.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and qualitative factors that are not indicated by financial information. In addition, it should be noted that one of the goals behind presenting a statement of net assets is to make school's financial statements look similar to that of commercial and private sector businesses whose primary purpose is to generate profits. The mission of the District is to continually provide excellent educational opportunities for students and adults to create life long learners. During some fiscal years, given the state of the economy, it may be necessary for the District, with the support of the Board, to use the fund balance to improve these opportunities or to save funds for use in future years to prevent future reductions in programming.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole utilizing the modified accrual method of accounting. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs, some of which are required by law.

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided with the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for assets that are designated for student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL HIGHLIGHTS OF THE DISTRICT AS A WHOLE

The following section provides a summary of the overall financial picture of the District as of and for the years ended June 30, 2007 and 2006, along with a brief discussion of the changes that took place and what precipitated those changes. The overall financial picture includes all funds, not just the results of the general fund and includes entries to convert the modified accrual statements to full accrual statements. It should be noted that the focus of every financial decision that is made is to support the District's mission of **"ensuring rich educational opportunities for each student in an environment of mutual trust and respect"**. This is done through expectations that every employee will follow norms established by the District as a whole. The first and most crucial norm is "Kids First."

Table A-2 Owosso Public Schools' Summary of Net Assets		
	2007	2006
ASSETS:		
Current assets	\$ 15,510,948	\$ 15,129,736
Non-current assets	13,759,564	13,328,422
TOTAL ASSETS	29,270,512	28,458,158
LIABILITIES:		
Current liabilities	8,762,972	8,566,313
Non-current liabilities	843,465	911,508
TOTAL LIABILITIES	9,606,437	9,477,821
NET ASSETS:		
Invested in capital assets - net of related debt	13,148,022	12,611,880
Unrestricted	6,516,053	6,368,457
TOTAL NET ASSETS	\$ 19,664,075	\$ 18,980,337

Table A-3
Owosso Public Schools'
Changes in Net Assets

	2007	2006
Revenues:		
General revenue:		
Property taxes received for general operations	\$ 3,123,417	\$ 2,829,620
Property taxes received for capital projects	1,693,660	1,498,243
State of Michigan unrestricted foundation allowance	23,604,006	23,191,571
Investment earnings	429,939	358,054
Shiawassee Regional Education Service District	527,911	585,525
Gain on sale of capital assets		1,856
Other	225,237	106,698
Total general revenue	29,604,170	28,571,567
Operating grants:		
Federal and state categorical grants	4,428,143	4,332,109
Charges for services:		
Instruction	25,650	23,000
Support services	10,433	18,734
Community services	413,925	304,961
Food service	526,054	497,032
Athletics	110,141	116,374
	1,086,203	960,101
Total revenues	35,118,516	33,863,777
Expenses:		
Instruction	21,567,592	21,095,410
Support services	9,851,946	9,745,847
Community services	485,281	154,311
Outgoing transfers and other transactions	187,844	216,786
Food services	1,242,236	1,165,178
Athletics	419,295	427,302
Interest on long-term debt	209,455	177,563
Unallocated depreciation	471,129	376,197
Total expenses	34,434,778	33,358,594
Increase in net assets	\$ 683,738	\$ 505,183

Again, it should be noted that the “Statement of Net Assets” reflects items that are not included in the “Statement of Revenues, Expenditures and Changes in Fund Balances”. In order to reconcile from the net change in fund balance reflected in the governmental financial statements to the change in net assets, the reader should review the “Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.” This provides a better comparison of the operations of the District in comparison to the previous year.

The following highlights some of the significant factors affecting net assets during the year:

➤ General Fund Operations:

The District’s General Fund expenditures exceeded revenue by \$403,982 for the fiscal year ended June 30, 2007; for the fiscal year ended June 30, 2006, expenditures exceeded revenues by \$595,649. The decrease in the fund balance for the fiscal year 2007 and 2006 were a result of the continued cost pressure felt in the areas of retirement, insurance, salaries and consumable items. During the budgeting process for both years, opportunities to lessen the impact of the cost pressures were reviewed and an assessment was done to ensure that only those opportunities were enacted that did not result in a reduction of services to the students.

➤ Capital Projects - Sinking Fund:

The Capital Projects Fund is primarily comprised of activities related to the collection and spending of the District’s sinking fund millage that was passed by the voters in June of 2001 and renewed by the voters in May of 2006 for an additional two years. Capital Projects fund revenue exceeded expenditures by \$534,878 for the fiscal year ended June 30, 2007; for the fiscal year ended June 30, 2006, revenues exceeded expenditures by \$202,023. Revenue to fund these projects is collected in the winter and the projects, typically, take place during the following summer. In most instances, this means that the expenditures for these projects cross fiscal years. The importance of this is that the annual income and expenditures are not as significant as the overall plan for expenditures. As in the past, the new two year plan was developed as part of a facility appraisal that considers the District’s facilities from a long-term viewpoint to ensure good stewardship of these assets. This plan is updated on an annual basis to reflect any new information. (It should be noted that these funds are restricted for use in capital improvements and are not available for operational purposes).

➤ Other Non Major Governmental Funds:

This category includes Athletics, Food Services and non-major Capital Projects Funds (i.e. revenues that are not derived from the Sinking Fund mileage but are utilized for capital expenditures). The combined revenue exceeded expenditures by \$35,186 for the fiscal year ended June 30, 2007; whereas, for the fiscal year ended June 30, 2006, expenditures exceeded revenues by \$78,574. The increase in the fund balance for the year reflects a minimal build up of some funds restricted for the purpose of purchasing capital assets. The full increase was offset by the utilization of some food service fund balance towards the purchase of equipment needed to improve the delivery of the program.

REPORTING THE BUDGET VERSUS ACTUAL EXPENDITURES

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30 of the current fiscal year. The Owosso Public Schools Board of Education adopted the budget for 2006-07 on June 26, 2006. As a result of significant changes that occur in revenues and expenditures throughout the year, the Board adopted two revisions to the original budget, once on February 12, 2007 and again on June 25, 2007. The actual expenditures and revenue are compared in the supplementary information to the June 25, 2007 budget. The budgeting process incorporates plans designed by building and program administrators to ensure that all items that support the mission and vision of the District are considered.

The challenge in budgeting in the educational environment is evident when the budget-to-actual statements are reviewed. This challenge stems from the heavy reliance that schools must place on the budgetary environment at the State and Federal level resulting in fluctuations that can occur in revenue and expenditure projections.

Overall, the comparison of the budget to actual figures reflects fluctuations. The bottom line is that through a conservative approach to expenditures by the program administrators and some changes in assumptions, the reduction in fund balance was minimized. The final to actual expense budget variance is within 1%. Although this is better than originally anticipated, school districts throughout Michigan cannot continue to experience reductions in fund balance or it will impact the ability to continue offering rich educational opportunities for the students of the State.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following represents the summary of the capital assets, at acquisition value, owned by Owosso Public Schools. As represented below, the largest investment that the District has is in “buildings and additions.” The facilities of the District are well maintained, largely through the use of funds from the sinking fund millage. Similar to the previous year, during the 2006-07 fiscal year, based on the facility plan, buildings were identified for improvement through installation of new windows, parking lot upgrades and roofing renovations. As previously noted, capital improvements to the facilities are done in conjunction with a facility appraisal plan as well as input from the various building administrators.

Owosso Public Schools' Capital Assets as of June 30, 2007 and 2006		
	2007	2006
Land (non-depreciable)	\$ 362,165	\$ 362,165
Construction in progress (non-depreciable)	189,872	618,084
Land improvements	862,410	862,410
Buildings and additions	19,543,501	18,020,623
Equipment and furniture	4,286,376	4,265,581
Total capital assets	25,244,324	24,128,863
Accumulated depreciation	11,484,760	10,800,441
Net capital assets	\$ 13,759,564	\$ 13,328,422

Long-term Debt

The District has three bonds outstanding as of June 30, 2007 and 2006. The balances of those are reflected in the table below. The following descriptions provide a better understanding of why the obligations were initially entered into.

- The Durant bond proceeds are received annually and can be utilized for capital improvements. The payment of these bonds is an obligation of the State through the payment of state aid directly to the District for servicing this debt.
- The Energy bond represents an obligation entered into by the District to provide energy efficiencies and improved lighting environment in the facilities. This allowed for cost savings to be realized from these efficiencies to offset the cost of the indebtedness.
- The Telecommunication bond represents an investment in improving communication with instructional staff and enhancing technology in the classroom.

(More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Owosso Public Schools' Bonded Debt as of June 30, 2007 and 2006		
	2007	2006
Durant bond	\$ 261,542	\$ 261,542
Energy bond	255,000	330,000
Telecommunication bond	95,000	125,000
Total	<u>\$ 611,542</u>	<u>\$ 716,542</u>

In addition, \$389,616 and \$374,050 of compensated absences are included in long-term debt for the years ended June 30, 2007 and 2006, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the Finance Department, Owosso Public Schools, 1405 W. North St., Owosso, MI 48867.

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental activities
CURRENT ASSETS:	
Cash	\$ 1,168,981
Investments	9,296,421
Receivables:	
Accounts receivable	29,188
Interest receivable	8,674
Taxes receivable	21,460
Due from other governmental units	4,502,692
Prepaid expenditures	461,254
Inventories	22,278
TOTAL CURRENT ASSETS	15,510,948
NONCURRENT ASSETS:	
Capital assets	25,244,324
Less accumulated depreciation	(11,484,760)
TOTAL NONCURRENT ASSETS	13,759,564
TOTAL ASSETS	\$ 29,270,512
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Checks issued against future deposits	\$ 17,235
Accounts payable	713,179
Accrued salaries and related items	2,582,683
Deferred revenue	497,732
Accrued interest	194,450
State aid note	4,600,000
Current portion of long-term obligations	110,000
Current portion of compensated absences	47,693
TOTAL CURRENT LIABILITIES	8,762,972
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	501,542
Noncurrent portion of compensated absences	341,923
TOTAL NONCURRENT LIABILITIES	843,465
TOTAL LIABILITIES	9,606,437
NET ASSETS:	
Invested in capital assets net of related debt	13,148,022
Unrestricted	6,516,053
TOTAL NET ASSETS	19,664,075
TOTAL LIABILITIES AND NET ASSETS	\$ 29,270,512

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 21,567,592	\$ 25,650	\$ 3,354,047	\$ (18,187,895)
Support services	9,851,946	10,433	209,249	(9,632,264)
Community services	485,281	413,925	123,052	51,696
Outgoing transfers and other transactions	187,844			(187,844)
Food services	1,242,236	526,054	741,795	25,613
Athletics	419,295	110,141		(309,154)
Interest on long-term debt	209,455			(209,455)
Unallocated depreciation	471,129			(471,129)
Total governmental activities	<u>\$ 34,434,778</u>	<u>\$ 1,086,203</u>	<u>\$ 4,428,143</u>	<u>(28,920,432)</u>
General revenues:				
Property taxes, levied for general purposes				3,123,417
Property taxes, levied for capital projects - sinking fund				1,693,660
Investment earnings				429,939
State sources				23,604,006
Shiawassee Regional Education Service District				527,911
Other				225,237
Total general revenues				<u>29,604,170</u>
CHANGE IN NET ASSETS				683,738
NET ASSETS, beginning of year				<u>18,980,337</u>
NET ASSETS, end of year				<u>\$ 19,664,075</u>

OWOSSO PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General fund	Capital projects sinking fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 792,662	\$ 326,456	\$ 49,863	\$ 1,168,981
Investments	7,454,371	1,570,834	271,216	9,296,421
Receivables:				
Accounts receivable	29,188			29,188
Interest receivable		8,674		8,674
Taxes receivable	21,460			21,460
Due from other funds	59,347		219,842	279,189
Due from other governmental units	4,494,496		8,196	4,502,692
Prepaid expenditures	402,256		58,998	461,254
Inventories			22,278	22,278
TOTAL ASSETS	\$ 13,253,780	\$ 1,905,964	\$ 630,393	\$ 15,790,137

LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Checks issued against future deposits	\$	\$	\$ 17,235	\$ 17,235
Accounts payable	393,976	189,871	129,332	713,179
Accrued salaries and related items	2,581,376		1,307	2,582,683
Deferred revenue	519,192			519,192
Due to other funds	219,842	20,652	38,695	279,189
Accrued interest	146,239			146,239
State aid note	4,600,000			4,600,000
TOTAL LIABILITIES	8,460,625	210,523	186,569	8,857,717

	General fund	Capital projects sinking fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for capital projects	\$	\$ 1,695,441	\$	\$ 1,695,441
Reserved for encumbrances	23,000			23,000
Reserved for prepaid expenditures	402,256		58,998	461,254
Reserved for inventories			22,278	22,278
Designated for subsequent years' expenditures	1,387,716			1,387,716
Unreserved, undesignated	2,980,183		362,548	3,342,731
TOTAL FUND BALANCES	4,793,155	1,695,441	443,824	\$ 6,932,420
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,253,780	\$ 1,905,964	\$ 630,393	\$ 15,790,137
Total governmental fund balances				\$ 6,932,420

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 25,244,324	
Accumulated depreciation is			(11,484,760)	
				13,759,564
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Bonds payable				(611,542)
Compensated absences				(389,616)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(48,211)
Deferred revenue associated with taxes receivable, less allowance for doubtful accounts, expected to be collected after September 1, 2007				21,460
Net assets of governmental activities				\$ 19,664,075

YEAR ENDED JUNE 30, 2007End of year

**OWOSSO PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds	\$ 166,082
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(684,319)
Capital outlay	1,115,461
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	40,548
Accrued interest payable end of the year	(48,211)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	105,000
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred property tax revenue beginning of the year	(16,717)
Deferred property tax revenue end of the year	21,460
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences beginning of the year	374,050
Accrued compensated absences end of the year	(389,616)
Change in net assets of governmental activities	<u><u>\$ 683,738</u></u>

OWOSSO PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007

	<u>Agency</u>
ASSETS	
Cash	\$ 181,186
LIABILITIES	
Due to student groups:	
Agency fund - high school	\$ 150,360
Agency fund - middle school	30,826
TOTAL LIABILITIES	<u>\$ 181,186</u>

OWOSSO PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Owosso Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Owosso Public Schools (the "District") is governed by the Owosso Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. At the end of the year there were no restricted net assets.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and the subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund Durant*, accounts for the resources accumulated and payments for principal and interest on long-term limited obligation debt as a result of the Durant settlement.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue (Concluded)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$581,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures or prepaid expense as a result of a change in funding by the MDE.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	17.7259
Capital Projects Sinking Fund - Homestead and non-homestead	3.0000

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and capital project funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$10,614,755 of the District's bank balance of \$10,814,755 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$10,629,353.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

The “carrying amount” as previously reported in Note 3:

Deposits - including fiduciary funds of \$181,186	<u><u>\$ 10,629,353</u></u>
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The above amounts are reported in the financial statements as follows:

Cash - agency fund	\$ 181,186
Cash - district-wide	1,168,981
Investments - district-wide	9,296,421
Checks issued against future deposits	<u>(17,235)</u>
	<u><u>\$ 10,629,353</u></u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007 from other governmental units consist of the following:

State aid	\$ 4,289,804
Federal aid	<u>212,888</u>
	<u><u>\$ 4,502,692</u></u>

No allowance for doubtful accounts is considered necessary.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Reclassification/ deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 362,165	\$	\$	\$ 362,165
Construction in progress	618,084	189,872	(618,084)	189,872
Total non-depreciable capital assets	980,249	189,872	(618,084)	552,037
Capital assets:				
Land improvements	862,410			862,410
Buildings and additions	18,020,623	904,794	618,084	19,543,501
Machinery and equipment	3,999,234	14,295		4,013,529
Transportation equipment	266,347	6,500		272,847
Total depreciable capital assets	23,148,614	925,589	618,084	24,692,287
Accumulated depreciation:				
Land improvements	49,172	43,120		92,292
Buildings and additions	7,763,091	428,008		8,191,099
Machinery and equipment	2,904,826	178,729		3,083,555
Transportation equipment	83,352	34,462		117,814
Total accumulated depreciation	10,800,441	684,319		11,484,760
Net capital assets being depreciated	12,348,173	241,270		13,207,527
Net capital assets	<u>\$ 13,328,422</u>	<u>\$ 431,142</u>	<u>\$</u>	<u>\$ 13,759,564</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$683,331 and was allocated as follows:

Governmental activities:	
Instruction	\$ 62,239
Support services	133,653
Athletics	17,298
Unallocated	471,129
Total government activities	<u>\$ 684,319</u>

Depreciation of capital assets that serve multiple functions is recorded as unallocated.

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTE PAYABLE

At June 30, 2007, the District has a note payable outstanding of \$4,600,000. The note has an interest rate of 3.68% and matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
<u>\$ 4,500,000</u>	<u>\$ 4,600,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,600,000</u>

Subsequent to year-end, the District entered into an agreement for a \$5,800,000 State aid note that has an interest rate of 3.68% and matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2007:

	Accumulated compensated absences	Bonded debt	Total
Balance, July 1, 2006	\$ 374,050	\$ 716,542	\$ 1,090,592
Additions (deletions)	<u>15,566</u>	<u>(105,000)</u>	<u>(89,434)</u>
Balance, June 30, 2007	389,616	611,542	1,001,158
Less current portion	<u>(47,693)</u>	<u>(110,000)</u>	<u>(157,693)</u>
Total due after one year	<u>\$ 341,923</u>	<u>\$ 501,542</u>	<u>\$ 843,465</u>

OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (Concluded)

Bonds payable at June 30, 2007 is comprised of the following issues:

Durant bond due in installments of \$31,100 to \$146,785 through May 15, 2013, with interest at 4.76%. Certain state aid has been pledged as security.	\$ 261,542
Energy bond due in installments of \$80,000 to \$90,000 plus semi-annual interest payments through May 1, 2010, with interest from 5.20% to 5.35%.	255,000
Telecommunication bond due in installments of \$30,000 to \$35,000 plus semi-annual interest payments through May 1, 2010, with interest from 4.25% to 4.45%.	<u>95,000</u>
Total bonded debt	611,542
Obligation under contract for compensated absences	<u>389,616</u>
Total general long-term debt	<u><u>\$ 1,001,158</u></u>

The annual requirements to amortize debt outstanding as of June 30, 2007, including interest payments are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2008	\$ 110,000	\$ 17,618	\$ 127,618
2009	139,651	18,637	158,288
2010	276,807	63,554	340,361
2011	27,054	4,051	31,105
2012	28,340	2,763	31,103
2013	<u>29,690</u>	<u>1,414</u>	<u>31,104</u>
	611,542	108,037	719,579
Accumulated compensated absences	<u>389,616</u>	<u></u>	<u>389,616</u>
	<u><u>\$ 1,001,158</u></u>	<u><u>\$ 108,037</u></u>	<u><u>\$ 1,109,195</u></u>

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2007 are as follows:

Receivable fund		Payable fund	
Food service	\$ 219,842	General fund	\$ 219,842
General fund	59,347	Athletics	38,695
		Sinking fund	20,652
	<u>\$ 279,189</u>		<u>\$ 279,189</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in accounting systems, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% of payroll through September 2006 and 17.74% effective October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$3,365,000, \$3,032,000 and \$2,800,000, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

NOTE 11 – RELATED PARTY TRANSACTION

The District purchased window coverings for approximately \$500 from a company owned by a member of the Board of Education. The board member did not participate in discussions or decisions on the procurement of these services.

**OWOSSO PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 13 - TRANSFERS

The general fund transferred \$291,745 to the athletics fund and \$44,294 to the non-major capital projects fund. The school lunch fund transferred \$42,382 to the general fund.

The transfer to the athletic fund was to subsidize operations. The transfer to the non-major capital projects fund was to cover future expenditures. The transfer from school lunch was to cover indirect costs paid by general fund.

REQUIRED SUPPLEMENTARY INFORMATION

**OWOSSO PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 3,427,512	\$ 4,176,362	\$ 4,257,652	\$ 81,290
State sources	25,347,678	25,624,466	25,612,665	(11,801)
Federal sources	1,562,152	1,653,493	1,574,642	(78,851)
Intermediate sources	560,083	520,740	527,911	7,171
Total revenues	30,897,425	31,975,061	31,972,870	(2,191)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	16,144,696	16,043,428	16,003,615	39,813
Added needs	5,708,135	5,874,310	5,747,458	126,852
Adult continuing education	87,846	97,649	97,993	(344)
Total instruction	21,940,677	22,015,387	21,849,066	166,321
Supporting services:				
Pupil	724,903	721,962	718,609	3,353
Instructional staff	1,151,344	1,342,774	1,279,183	63,591
General administration	631,027	618,246	609,095	9,151
School administration	2,460,690	2,480,948	2,438,204	42,744
Business	733,772	709,198	696,725	12,473
Operation and maintenance	3,313,232	3,236,269	3,131,008	105,261
Pupil transportation	674,976	703,003	705,855	(2,852)
Other support services	137,580	161,174	160,814	360
Total supporting services	9,827,524	9,973,574	9,739,493	234,081

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
EXPENDITURES (Concluded):				
Debt service:				
Principal retirement	\$ 105,000	\$ 105,000	\$ 105,000	\$
Interest on debt	187,148	187,148	201,792	(14,644)
Total debt service	292,148	292,148	306,792	(14,644)
Outgoing transfers and other transactions	166,673	190,705	187,844	2,861
Total expenditures	32,227,022	32,471,814	32,083,195	388,619
EXCESS (DEFICENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,329,597)	(496,754)	(110,325)	386,429
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		40,500	42,382	1,882
Operating transfers to other funds	(334,700)	(335,993)	(336,039)	(46)
Total other financing sources (uses)	(334,700)	(295,493)	(293,657)	1,836
NET CHANGE IN FUND BALANCE	\$ (1,664,297)	\$ (792,247)	(403,982)	\$ 388,265
FUND BALANCE:				
Beginning of year			5,197,137	
End of year			\$ 4,793,155	

ADDITIONAL INFORMATION

**OWOSSO PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 41,904	\$ 7,959	\$ 49,863
Investments		271,216	271,216
Due from other funds	219,842		219,842
Due from other governmental units	8,196		8,196
Prepaid expenditures	58,998		58,998
Inventories	22,278		22,278
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 351,218</u></u>	<u><u>\$ 279,175</u></u>	<u><u>\$ 630,393</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Checks issued against future deposits	\$ 17,235	\$	\$ 17,235
Accounts payable	129,332		129,332
Accrued payroll	1,307		1,307
Due to other funds	38,695		38,695
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>186,569</u>	<hr/>	<u>186,569</u>
FUND BALANCES:			
Reserved for prepaid expenditures	58,998		58,998
Reserved for inventories	22,278		22,278
Unreserved, undesignated	83,373	279,175	362,548
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>164,649</u>	<u>279,175</u>	<u>443,824</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 351,218</u></u>	<u><u>\$ 279,175</u></u>	<u><u>\$ 630,393</u></u>

OWOSSO PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:			
Local sources:			
Investment earnings	\$ 3,586	\$ 11,222	\$ 14,808
Food sales and athletic admissions	636,195		636,195
Total local sources	639,781	11,222	651,003
State sources	49,064		49,064
Federal sources	692,732		692,732
Total revenues	<u>1,381,577</u>	<u>11,222</u>	<u>1,392,799</u>
EXPENDITURES:			
Current:			
Food service activities	1,242,236		1,242,236
Athletic activities	401,997		401,997
Capital outlay		7,037	7,037
Total expenditures	<u>1,644,233</u>	<u>7,037</u>	<u>1,651,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(262,656)	4,185	(258,471)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	291,745	44,294	336,039
Operating transfers out	<u>(42,382)</u>		<u>(42,382)</u>
Total other financing sources	249,363	44,294	293,657
NET CHANGE IN FUND BALANCES	(13,293)	48,479	35,186
FUND BALANCES:			
Beginning of year	<u>177,942</u>	<u>230,696</u>	<u>408,638</u>
End of year	<u><u>\$ 164,649</u></u>	<u><u>\$ 279,175</u></u>	<u><u>\$ 443,824</u></u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEET
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
ASSETS:		
Cash	\$ 792,662	\$ 611,802
Investments	7,454,371	7,849,161
Receivables:		
Accounts receivable	29,188	48,028
Taxes receivable	21,460	16,717
Due from other funds	59,347	28,659
Due from other governmental units	4,494,496	4,641,108
Prepaid expenditures	402,256	141,604
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 13,253,780</u></u>	<u><u>\$ 13,337,079</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 393,976	\$ 373,774
Accrued salaries and related items	2,581,376	2,446,804
Deferred revenue	519,192	435,282
Due to other funds	219,842	179,547
Due to other governmental units		91,385
Accrued interest	146,239	113,150
State aid note	4,600,000	4,500,000
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>8,460,625</u>	<u>8,139,942</u>
FUND BALANCES:		
Reserved for encumbrances	23,000	23,000
Reserved for prepaid expenditures	402,256	141,604
Designated for subsequent years' expenditures	1,387,716	1,664,295
Unreserved, undesignated	2,980,183	3,368,238
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>4,793,155</u>	<u>5,197,137</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 13,253,780</u></u>	<u><u>\$ 13,337,079</u></u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance favorable (unfavorable)
LOCAL SOURCES:			
Property taxes	\$ 3,091,850	\$ 3,118,674	\$ 26,824
Tuition	15,900	25,650	9,750
Interest	332,913	360,687	27,774
Community service activities	499,128	516,971	17,843
Other local revenue	236,571	235,670	(901)
TOTAL LOCAL SOURCES	4,176,362	4,257,652	81,290
STATE SOURCES:			
State school aid	23,543,461	23,543,436	(25)
At risk	793,946	783,808	(10,138)
Early childhood education	231,000	231,000	
Special education	905,405	905,405	
Adult education	16,491	19,260	2,769
Vocational education	43,750	39,344	(4,406)
Math / Science	46,119	46,118	(1)
Other	44,294	44,294	
TOTAL STATE SOURCES	25,624,466	25,612,665	(11,801)
FEDERAL SOURCES:			
Title I	944,430	872,534	(71,896)
Other	709,063	702,108	(6,955)
TOTAL FEDERAL SOURCES	1,653,493	1,574,642	(78,851)
INTERMEDIATE DISTRICT SOURCES	520,740	527,911	7,171
OTHER FINANCING SOURCES:			
Operating transfers in	40,500	42,382	1,882
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 32,015,561	\$ 32,015,252	\$ (309)

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries	\$ 5,496,812	\$ 5,489,524	\$ 7,288
Benefits	2,615,813	2,621,739	(5,926)
Purchased service	52,070	50,772	1,298
Supplies and materials	122,752	121,294	1,458
Capital outlay	10,903	10,905	(2)
Total elementary	<u>8,298,350</u>	<u>8,294,234</u>	<u>4,116</u>
Middle school:			
Salaries	1,628,615	1,623,833	4,782
Benefits	777,827	769,959	7,868
Purchased service	36,220	33,693	2,527
Supplies and materials	64,873	105,103	(40,230)
Other expenses	1,726	1,726	
Total middle school	<u>2,509,261</u>	<u>2,534,314</u>	<u>(25,053)</u>
High school:			
Salaries	2,851,749	2,832,665	19,084
Benefits	1,372,349	1,350,751	21,598
Purchased service	75,074	74,174	900
Supplies and materials	121,254	114,498	6,756
Other expenses	1,850	1,850	
Total high school	<u>4,422,276</u>	<u>4,373,938</u>	<u>48,338</u>
Alternative Education (Lincoln):			
Salaries	314,486	304,695	9,791
Benefits	164,396	159,315	5,081
Purchased services	1,157	1,119	38
Supplies and materials	15,017	15,070	(53)
Other expenses	2,857	2,857	
Total alternative education	<u>497,913</u>	<u>483,056</u>	<u>14,857</u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
INSTRUCTION (Continued)			
Preschool:			
Salaries	\$ 45,619	\$ 48,252	\$ (2,633)
Benefits	28,627	29,192	(565)
Purchased services	4,882	4,326	556
Supplies and materials	5,500	5,419	81
	<u>84,628</u>	<u>87,189</u>	<u>(2,561)</u>
Total preschool grant			
Preschool (Michigan Readiness) grant:			
Salaries	150,031	150,020	11
Benefits	61,680	61,584	96
Purchased services	2,274	2,234	40
Supplies and materials	16,865	16,896	(31)
Other expenses	150	150	
	<u>231,000</u>	<u>230,884</u>	<u>116</u>
Total preschool grant			
Total basic programs	<u>16,043,428</u>	<u>16,003,615</u>	<u>39,813</u>
Added needs:			
Special education:			
Salaries	2,082,339	2,067,143	15,196
Benefits	984,134	965,763	18,371
Purchased services	2,894	2,965	(71)
Supplies and materials	114,151	112,435	1,716
	<u>3,183,518</u>	<u>3,148,306</u>	<u>35,212</u>
Total special education			
Daycare program:			
Salaries	113,643	113,347	296
Benefits	28,727	28,754	(27)
Purchased services	350	330	20
Supplies and materials	11,879	12,033	(154)
Capital outlay	11,024	11,024	
Other expenses	443	516	(73)
	<u>166,066</u>	<u>166,004</u>	<u>62</u>
Total daycare program			

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
INSTRUCTION (Continued)			
Title I:			
Salaries	\$ 601,196	\$ 589,858	\$ 11,338
Benefits	242,412	218,132	24,280
Purchased services	3,400	2,635	765
Supplies and materials	64,340	31,150	33,190
	<u>911,348</u>	<u>841,775</u>	<u>69,573</u>
Total Title I			
Vocational education:			
Salaries	237,602	237,604	(2)
Benefits	116,114	114,745	1,369
Purchased service	1,447	1,447	
Supplies and materials	22,275	22,300	(25)
	<u>377,438</u>	<u>376,096</u>	<u>1,342</u>
Total vocational education			
Drivers education:			
Salaries	16,863	11,703	5,160
Benefits	4,263	2,324	1,939
Supplies and materials	1,544	2,092	(548)
	<u>22,670</u>	<u>16,119</u>	<u>6,551</u>
Total drivers education			
At-risk:			
Salaries	378,495	374,413	4,082
Benefits	158,191	152,239	5,952
Purchased service	254,060	254,397	(337)
Supplies and materials	3,200	2,810	390
	<u>793,946</u>	<u>783,859</u>	<u>10,087</u>
Total at risk			
Reading first grant:			
Salaries	220,841	220,806	35
Benefits	82,382	82,530	(148)
Purchased service	44,647	40,562	4,085
Supplies and materials	71,454	71,401	53
	<u>419,324</u>	<u>415,299</u>	<u>4,025</u>
Total reading first grant			
Total added needs	<u>5,874,310</u>	<u>5,747,458</u>	<u>126,852</u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
INSTRUCTION (Concluded):			
Community education:			
Salaries	\$ 46,725	\$ 47,111	\$ (386)
Benefits	27,927	27,722	205
Purchased service	21,518	19,877	1,641
Supplies and materials	1,414	3,218	(1,804)
Other expenses	65	65	
	<u>97,649</u>	<u>97,993</u>	<u>(344)</u>
Total community education			
	<u>97,649</u>	<u>97,993</u>	<u>(344)</u>
TOTAL INSTRUCTION	<u>22,015,387</u>	<u>21,849,066</u>	<u>166,321</u>
SUPPORTING SERVICES:			
Pupil services:			
Guidance services:			
Salaries	433,558	434,479	(921)
Benefits	228,224	226,034	2,190
Purchased service	1,207	661	546
Supplies and materials	9,394	9,365	29
	<u>672,383</u>	<u>670,539</u>	<u>1,844</u>
Total guidance services			
	<u>672,383</u>	<u>670,539</u>	<u>1,844</u>
Health services:			
Purchased services	49,564	48,055	1,509
Supplies and materials	15	15	
	<u>49,579</u>	<u>48,070</u>	<u>1,509</u>
Total health services			
	<u>49,579</u>	<u>48,070</u>	<u>1,509</u>
Total pupil services	<u>721,962</u>	<u>718,609</u>	<u>3,353</u>
Instructional staff:			
Title II, Part A (Eisenhower):			
Salaries	180,831	182,414	(1,583)
Benefits	79,414	73,282	6,132
	<u>260,245</u>	<u>255,696</u>	<u>4,549</u>
Total Title II, Part A			
	<u>260,245</u>	<u>255,696</u>	<u>4,549</u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
SUPPORTING SERVICES (Continued):			
Title II, Part D:			
Salaries	\$ 4,400	\$ 3,400	\$ 1,000
Benefits	1,117	748	369
Supplies and materials	3,029	3,012	17
Total Title II, Part D	<u>8,546</u>	<u>7,160</u>	<u>1,386</u>
Title V:			
Supplies and materials	<u>7,571</u>	<u>5,453</u>	<u>2,118</u>
Improvement of instruction:			
Salaries	237,045	232,602	4,443
Benefits	98,112	96,664	1,448
Purchased services	68,333	69,456	(1,123)
Supplies and materials	115,520	66,003	49,517
Other expenses	299	299	
Total improvement of instruction	<u>519,309</u>	<u>465,024</u>	<u>54,285</u>
Library services:			
Salaries	360,109	360,817	(708)
Benefits	159,923	158,372	1,551
Purchased services	8,596	8,595	1
Supplies and materials	18,475	18,066	409
Total library services	<u>547,103</u>	<u>545,850</u>	<u>1,253</u>
Total instructional staff	<u>1,342,774</u>	<u>1,279,183</u>	<u>63,591</u>
General administration:			
Board of education:			
Purchased services	62,697	63,480	(783)
Supplies and materials	7,724	8,941	(1,217)
Other expenses	26,351	26,351	
Total board of education	<u>96,772</u>	<u>98,772</u>	<u>(2,000)</u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
SUPPORTING SERVICES (Continued):			
Executive administration:			
Salaries	\$ 158,366	\$ 158,366	\$
Benefits	73,255	70,520	2,735
Purchased services	30,185	27,153	3,032
Supplies and materials	7,500	6,527	973
Other expenses	2,155	2,155	(0)
Total executive administration	<u>271,460</u>	<u>264,721</u>	<u>6,739</u>
Human resources:			
Salaries	46,588	46,588	
Benefits	69,975	65,710	4,265
Purchased services	129,190	129,138	52
Supplies and materials	4,146	4,051	95
Other expenses	115	115	
Total human resources	<u>250,014</u>	<u>245,602</u>	<u>4,412</u>
Total general administration	<u>618,246</u>	<u>609,095</u>	<u>9,151</u>
School administration:			
Salaries	1,557,353	1,556,126	1,227
Benefits	725,286	685,832	39,454
Purchased services	164,398	163,644	754
Supplies and materials	22,417	21,108	1,309
Other expense	11,494	11,494	
Total school administration	<u>2,480,948</u>	<u>2,438,204</u>	<u>42,744</u>
Business services:			
Finance services:			
Salaries	246,786	246,791	(5)
Benefits	134,521	128,508	6,013
Purchased services	6,900	6,741	159
Supplies and materials	5,074	5,074	
Other expense	1,478	1,478	
Total finance services	<u>394,759</u>	<u>388,592</u>	<u>6,167</u>

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
SUPPORTING SERVICES (Continued):			
Technology management:			
Salaries	\$ 173,697	\$ 171,075	\$ 2,622
Benefits	90,345	88,554	1,791
Purchased services	37,503	35,823	1,680
Supplies and materials	10,044	9,858	186
Capital outlay	2,850	2,823	27
	<u>314,439</u>	<u>308,133</u>	<u>6,306</u>
Total technology management			
	<u>314,439</u>	<u>308,133</u>	<u>6,306</u>
Total business services	<u>709,198</u>	<u>696,725</u>	<u>12,473</u>
	<u>709,198</u>	<u>696,725</u>	<u>12,473</u>
Operation and maintenance:			
Salaries	1,158,201	1,141,723	16,478
Benefits	768,574	764,909	3,665
Purchased services	367,706	349,633	18,073
Supplies and materials	929,082	862,058	67,024
Capital outlay	11,495	11,495	
Other expense	1,211	1,190	21
	<u>3,236,269</u>	<u>3,131,008</u>	<u>105,261</u>
Total operation and maintenance			
	<u>3,236,269</u>	<u>3,131,008</u>	<u>105,261</u>
Transportation:			
Salaries	411,062	419,349	(8,287)
Benefits	137,218	138,945	(1,727)
Purchased service	7,621	5,435	2,186
Supplies and materials	146,173	141,197	4,976
Other expenses	929	929	
	<u>703,003</u>	<u>705,855</u>	<u>(2,852)</u>
Total transportation			
	<u>703,003</u>	<u>705,855</u>	<u>(2,852)</u>
Other school services:			
Staff/personnel services:			
Purchased services - PAC	<u>12,985</u>	<u>12,985</u>	
	<u>12,985</u>	<u>12,985</u>	

**OWOSSO PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS
YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
SUPPORTING SERVICES (Concluded):			
Information services:			
Salaries	\$ 5,213	\$ 4,981	\$ 232
Benefits	(13)	36	(49)
Purchased services	77,259	77,126	133
Supplies and materials	1,941	1,941	
	<u>84,400</u>	<u>84,084</u>	<u>316</u>
Total information services			
Printing and other support services:			
Salaries	30,701	31,099	(398)
Benefits	22,437	22,520	(83)
Purchased services	6,000	5,485	515
Supplies and materials	4,651	4,641	10
	<u>63,789</u>	<u>63,745</u>	<u>44</u>
Total printing and other support services			
Total other school services	<u>161,174</u>	<u>160,814</u>	<u>360</u>
TOTAL SUPPORTING SERVICES	<u>9,973,574</u>	<u>9,739,493</u>	<u>234,081</u>
DEBT SERVICE:			
Principal retirement	105,000	105,000	
Interest on debt	187,148	201,792	(14,644)
	<u>292,148</u>	<u>306,792</u>	<u>(14,644)</u>
TOTAL DEBT SERVICE			
OUTGOING TRANSFERS AND OTHER TRANSACTIONS	<u>190,705</u>	<u>187,844</u>	<u>2,861</u>
OTHER FINANCING USES:			
Transfers to other funds	<u>335,993</u>	<u>336,039</u>	<u>(46)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 32,807,807</u>	<u>\$ 32,419,234</u>	<u>\$ 388,573</u>

**OWOSSO PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
(with comparative totals for June 30, 2006)**

ASSETS	Food services	Athletics	Total	
			2007	2006
Cash	\$	\$ 41,904	\$ 41,904	\$ 29,086
Due from other funds	219,842		219,842	179,547
Due from other governmental units	8,196		8,196	
Prepaid expenditures	58,998		58,998	2,858
Inventories	22,278		22,278	19,186
TOTAL ASSETS	\$ 309,314	\$ 41,904	\$ 351,218	\$ 230,677
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Checks issued against future deposits	\$ 17,235	\$	\$ 17,235	\$ 9,265
Accounts payable	126,123	3,209	129,332	14,777
Accrued payroll	1,307		1,307	34
Due to other funds		38,695	38,695	28,659
TOTAL LIABILITIES	144,665	41,904	186,569	52,735
FUND BALANCES:				
Reserved for prepaid expenditures	58,998		58,998	2,858
Reserved for inventories	22,278		22,278	19,186
Designated for subsequent years' expenditures				27,791
Unreserved:				
Undesignated	83,373		83,373	128,107
TOTAL FUND BALANCES	164,649		164,649	177,942
TOTAL LIABILITIES AND FUND BALANCES	\$ 309,314	\$ 41,904	\$ 351,218	\$ 230,677

**OWOSSO PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(with comparative totals for the year ended June 30, 2006)**

	Food services	Athletics	Totals 2007	2006
REVENUES:				
Local sources:				
Admissions	\$	\$ 110,141	\$ 110,141	\$ 116,374
Sales	526,054		526,054	497,032
Interest earnings	3,475	111	3,586	2,928
State sources	49,064		49,064	72,285
Federal sources	692,732		692,732	636,313
Total revenues	1,271,325	110,252	1,381,577	1,324,932
EXPENDITURES:				
Salaries	292,605	242,211	534,816	532,047
Employee benefits	100,250	59,500	159,750	147,480
Purchased services	175,808	49,546	225,354	210,628
Food	567,306		567,306	532,178
Supplies, materials and other	63,431	37,865	101,296	116,889
Equipment	39,735		39,735	42,018
Other	3,101	12,875	15,976	16,047
Total expenditures	1,242,236	401,997	1,644,233	1,597,287
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,089	(291,745)	(262,656)	(272,355)
OTHER FINANCING SOURCES (USES):				
Operating transfers in		291,745	291,745	291,937
Operating transfers out	(42,382)		(42,382)	(46,128)
Total other financing sources (uses)	(42,382)	291,745	249,363	245,809
NET CHANGE IN FUND BALANCES	(13,293)		(13,293)	(26,546)
FUND BALANCES:				
Beginning of year	177,942		177,942	204,488
End of year	\$ 164,649	\$	\$ 164,649	\$ 177,942

OWOSSO PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007
(with comparative totals for June 30, 2006)

	Durant state aid fund	Energy fund	Other fund	Totals	
				2007	2006
ASSETS					
Cash	\$	\$	\$ 7,959	\$ 7,959	\$ 7,618
Investments	163,513	2,765	104,938	271,216	274,568
TOTAL ASSETS	<u>\$ 163,513</u>	<u>\$ 2,765</u>	<u>\$ 112,897</u>	<u>\$ 279,175</u>	<u>\$ 282,186</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$ 47,490
Due to other funds					4,000
TOTAL LIABILITIES					51,490
FUND BALANCES:					
Unreserved, undesignated	163,513	2,765	112,897	279,175	230,696
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,513</u>	<u>\$ 2,765</u>	<u>\$ 112,897</u>	<u>\$ 279,175</u>	<u>\$ 282,186</u>

**OWOSSO PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
(with comparative totals for the year ended June 30, 2006)**

	Durant state aid fund	Energy fund	Other fund	Totals	
				2007	2006
REVENUES:					
Local sources:					
Interest	\$ 6,250	\$ 131	\$ 4,841	\$ 11,222	\$ 11,219
EXPENDITURES:					
Capital outlay	4,900	2,137		7,037	107,541
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,350	(2,006)	4,841	4,185	(96,322)
OTHER FINANCING SOURCES:					
Operating transfers from other funds	44,294			44,294	44,294
NET CHANGE IN FUND BALANCES	45,644	(2,006)	4,841	48,479	(52,028)
FUND BALANCES:					
Beginning of year	117,869	4,771	108,056	230,696	282,724
End of year	<u>\$ 163,513</u>	<u>\$ 2,765</u>	<u>\$ 112,897</u>	<u>\$ 279,175</u>	<u>\$ 230,696</u>

OWOSSO PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AGENCY FUND
HIGH SCHOOL STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
A.P. Exam Account	\$ 19,371	\$ 12,278	\$ 16,424	\$ 15,225
Academic Achievement	151			151
Affective Based Program (ABP)	290			290
Art Club	540	2,225	2,210	555
Athletic Beverage Acct.	3,252	8,643	10,835	1,060
Athletic Start Up		1,000	1,000	
Band	557	5,694	4,161	2,090
Bank Start Up		2,000	2,000	
Banquet Fund	3,521	2,207	3,515	2,213
Baseball	163	1,012	807	368
Big 9 Academic League	915		188	727
Bldg. Professional Fund	1,084	5,466	5,984	566
Bowling Club	1,809	201	655	1,355
Boys Golf	36		32	4
Boys Soccer	865	2,271	2,208	928
Boys Swimming	340	586	594	332
Boys Tennis	72	25		97
Boys Track	2,905		2,196	709
Business Professionals of America	1,850	4,715	5,709	856
Cheerleaders	2,421	8,317	10,591	147
Cheryl Markva Fund	313		13	300
Class of 2007	2,702	17,482	16,129	4,055
Class of 2008	231	800		1,031
Class of 2009	232	560	636	156
Class of 2010		2,332	1,303	1,029
Class Reunions	2,013	100	300	1,813
Coke	9,126	16,696	19,502	6,320
Competitive Cheer	103			103
Co-op	569			569
Cross Country Team	195	1,788	1,547	436

OWOSSO PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AGENCY FUND
HIGH SCHOOL STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Dance Team	\$ 602	\$ 7,715	\$ 8,179	\$ 138
Donations	799	5,721	5,826	694
Drama	249			249
Dugout Club	1,383	107	1,480	10
Earth Shuttle	100			100
Ecology	182	1		183
Electronics Club	391	10		401
Equestrian Team	28	13,701	8,394	5,335
Fine Arts Dance	1,112	16,628	16,105	1,635
Fines and fees	9,161	18,912	23,146	4,927
Flower Fund	8	347	320	35
Freshman Cheerleading	41			41
Friends & Alumni	5,571	5,888	1,559	9,900
Gary Hathaway Memorial	439			439
Gazley's Career Account	6			6
Girls Basketball	4,058	3,719	3,764	4,013
Girls Golf	176	490	390	276
Girls Soccer	688	1,800	2,267	221
Girls Swimming	1,296	1,291	1,303	1,284
Girls Tennis	379	1,606	1,795	190
Girls Track Team	778	296	1,008	66
Guidance	898	5,486	5,642	742
Harvard Model Congress	830		830	
Hillberry Trips		781	780	1
International Club	915	292	380	827
Junior Dance	5			5
J.V. Cheerleading		3,672	3,611	61
Leadership Class	677	2,081	2,389	369
Library	119		34	85
Majorette Fund	219		167	52

**OWOSSO PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AGENCY FUND
HIGH SCHOOL STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Math Conferences	\$ 322	\$	\$	\$ 322
Mead Memorial	125			125
Model UN		3,363	3,353	10
National Honor Society	207	8,303	8,171	339
O-Zone (H.S. Newspaper)	546	1,014	388	1,172
Paint and Palette Club	1,415	30	42	1,403
Parking Permits	7,248	1,695	8,626	317
Peer Mediation	334	2,036	1,272	1,098
RCL-2 Signatures		10,611	3,581	7,030
Regional Comp-BPA	43	690	625	108
Rule the Pool	54			54
S.A.D.D.		1,000		1,000
Science Walmart	5,115	14,074	12,242	6,947
Seaturtles	600	25,050		25,650
Segment I (drivers ed)	340		340	
Snack Shoppe	2,260	10,182	10,182	2,260
Softball				
Spain				
Special Education	64	1,025	1,050	39
Spic - Yearbook Account	9,430	2,788	9,430	2,788
Spic 2006	11,033	2,249	13,282	
Spic 2007		7,975	2,738	5,237
Stage Productions		8,708	8,708	
Student Copy Machine	74			74
Student Council	11,674	18,968	24,073	6,569
Student of the Month Breakfast	202	439	472	169
TBBC	1,275	7,250	8,050	475
Teachers Golf	95		95	
Teachers Lounge	1,091			1,091

OWOSSO PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AGENCY FUND
HIGH SCHOOL STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Tennis Clinic	\$ 1,980	\$ 870	\$ 1,851	\$ 999
TGIF	225	70	223	72
Thespian	665	2,527	3,098	94
Three D Art	940	1,582	1,448	1,074
Three on Three	590	5,815	6,404	1
 Tournaments	 3,911	 27,719	 29,207	 2,423
Training Room	21			21
Trojan Apparel	2,169	426	192	2,403
Turkey Baskets		175		175
Trojan Basketball	50	1,135	1,141	44
 Vocal Music	 1,147		 274	 873
Volleyball	2,123	3,130	4,243	1,010
Wrestling	947	1,025	848	1,124
	<u>\$ 155,051</u>	<u>\$ 358,866</u>	<u>\$ 363,557</u>	<u>\$ 150,360</u>

OWOSSO PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AGENCY FUND
MIDDLE SCHOOL STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Athletics	\$ 645	\$ 2,092	\$ 2,562	\$ 175
Auditorium Restoration	500			500
Band Concessions	23		23	
Band Fund	1,374	3,369	2,906	1,837
Baseball		2,723	2,561	162
Books, Fines and Locks	3,726	152	3,878	
Builder's Club		3,328	2,130	1,198
Cheerleaders	1,006	1,290	2,112	184
Cross Country	146	100		246
Dance Team	295	408	432	271
Extra Curricular	511		511	
Fundraiser		2,341	2,295	46
Gate Receipts		120	240	(120)
Student Activities Fund	1,175	12,348	6,673	6,850
Special Education	319		403	(84)
Spirit Store	1,482	995	280	2,197
Media Fund	699	2,400	2,570	529
Shop Fund	1,457		1,457	
Student Government	7,002	15,760	16,313	6,449
Swim Club	711	504	756	459
Teachers' Lounge	208	564	257	515
Team 7 A	1,217			1,217
Team 7 B	3,322	3,713	2,479	4,556
Team 7 C	23		23	
Team 8 A	176		176	
Team 8 B	211		211	
Team 8 C	46		46	
Vocal Music	632	8,309	7,225	1,716
Yearbook	1,391	4,027	4,373	1,045
Washington DC	957	1,530	1,609	878
	<u>\$ 29,254</u>	<u>\$ 66,073</u>	<u>\$ 64,501</u>	<u>\$ 30,826</u>

OWOSSO PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Owosso Public Schools
Owosso, Michigan

October 15, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of and for the year ended June 30, 2007, which collectively comprise Owosso Public Schools' basic financial statements and have issued our report thereon dated October 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owosso Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Owosso Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Owosso Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

October 15, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owosso Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Owosso Public Schools in a separate letter dated October 15, 2007.

This report is intended solely for the information and use of management, Board of Education, others within the entity, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Owosso Public Schools
Owosso, Michigan

October 15, 2007

Compliance

We have audited the compliance of Owosso Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Owosso Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Owosso Public Schools' management. Our responsibility is to express an opinion on Owosso Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owosso Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Owosso Public Schools' compliance with those requirements.

In our opinion, Owosso Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Owosso Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Owosso Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

To the Board of Education
Owosso Public Schools

October 15, 2007

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Owosso Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Owosso Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

OWOSSO PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2006	Prior years expenditures (memorandum only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
<u>U.S. Department of Agriculture:</u>								
Child Nutrition Cluster:								
Passed through the Michigan Department of Education:								
National School Lunch Program - Breakfast	10.553	07-1970	\$ 94,436	\$	\$	\$ 94,436	\$ 94,436	\$
National School Lunch Program - Breakfast		06-1970	82,711		72,587	10,124	10,124	
			177,147		72,587	104,560	104,560	
National School Lunch Program - Section 4	10.555	07-1950	71,347			71,347	71,347	
National School Lunch Program - Section 4		06-1950	71,346		63,565	7,781	7,781	
National School Lunch Program - Section 11		07-1960	394,459			394,459	394,459	
National School Lunch Program - Section 11		06-1960	388,382		348,483	39,899	39,899	
			925,534		412,048	513,486	513,486	
Total Child Nutrition Cluster			1,102,681		484,635	618,046	618,046	
Entitlement Commodities	10.550		74,166		72,003	74,166	74,166	
Bonus Commodities			520		7,447	520	520	
			74,686		79,450	74,686	74,686	
Total U.S. Department of Agriculture			1,177,367		564,085	692,732	692,732	
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education:								
Title I	84.010	07-1530-0607	862,683			772,301	691,973	80,328
		06-1530-0607	81,747			81,747	81,747	
		06-1530-0506	832,934	13,218	732,701	18,486	31,704	
			1,777,364	13,218	732,701	872,534	805,424	80,328
Handicapped Preschool & School Programming	84.027	060440-SPSR	1,807	1,807	1,807		1,807	

The accompany notes are an integral part of this report.

OWOSSO PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2006	Prior years expenditures (memorandum only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2007
<u>U.S. Department of Education (Concluded):</u>								
Passed through the Michigan Department of Education (Concluded):								
Title V	84.298	07-0250-0607	\$ 6,264	\$	\$	\$ 4,068	\$ 4,190	\$ (122)
		06-0250-0607	1,582			1,582	1,582	
		06-0250-0506	10,983	51	10,983		51	
			18,829	51	10,983	5,650	5,823	(122)
Technology Literacy Challenge Grant	84.318	07-4290-0607	8,856			7,418	7,459	(41)
Reading First State Grants	84.357	06-2930-0607	434,000			429,838	346,996	82,842
		06-2930-0506	337,500	22,831	337,500		22,831	
		05-2930-030402	476,700	(41,371)			(41,371)	
		05-2910-050601	106,716	6,424	106,140		6,424	
			1,354,916	(12,116)	443,640	429,838	334,880	82,842
Improving Teacher Quality	84.367	07-0520-0607	258,361			258,361	222,945	35,416
		06-0520-0506	260,998	2,589	260,998		2,589	
			519,359	2,589	260,998	258,361	225,534	35,416
Emergency Impact Aid - Hurricane Katrina Grant	84.938	06-412-1	3,115	2,274	2,274	841	3,115	
Total U.S. Department of Education			3,684,246	7,823	1,452,403	1,574,642	1,384,042	198,423
TOTAL FEDERAL AWARDS			\$ 4,861,613	\$ 7,823	\$ 2,016,488	\$ 2,267,374	\$2,076,774	\$ 198,423

The accompany notes are an integral part of this report.

OWOSSO PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Owosso Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Improving Teacher Quality, CFDA #84.367 and Reading First, CFDA #84.357 were audited as major programs representing 30% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund federal revenues per financial statements	\$ 1,574,642
Other nonmajor funds federal revenues	<u>692,732</u>
 Total federal expenditures per the financial statements	 <u><u>\$ 2,267,374</u></u>

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.357	Reading First
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**OWOSSO PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

No prior year audit findings for the years ended June 30, 2006 and 2005.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 15, 2007

To the Board of Education
Owosso Public Schools
Owosso, Michigan

We have audited the financial statements of Owosso Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Owosso Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Owosso Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Owosso Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Owosso Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Owosso Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Owosso Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Owosso Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

The only material unrecorded adjustment is recording approximately \$47,000 of Medicaid revenue received in 2007 as deferred revenue (liability). Historically, the revenue has been "designated" by the District for classroom supplies.

Internal designations do not provide the District the ability to delay the revenue recognition of the Medicaid receipts. For the year ended June 30, 2007, general fund revenues were understated by approximately \$47,000. To date, the District's general fund liabilities are overstated and fund balance is understated by approximately \$143,000.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the finance committee, board of directors, and management of Owosso Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costurison & Ellis, P.C.